Retirement Planning PFL.6 (G)

Retirement is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.

In the simplest sense, retirement planning is the planning one does to be prepared for life after paid work ends, not just financially but in all aspects of life. The non-financial aspects include such lifestyle choices as how to spend time in retirement, where to live, when to completely quit working, etc. A holistic approach to retirement planning considers all of these areas.  
The emphasis one puts on retirement planning changes throughout different life stages. Early in a person’s working life, retirement planning is about setting aside enough money for retirement. During the middle of an individual’s career, it might also include setting specific income or asset targets and taking the steps to achieve them. In the few years leading up to retirement, financial assets are more or less determined, and so the emphasis changes to non-financial, lifestyle aspects.

There are many different types of Retirement Plans available to individuals in Canada.

* Employer Contributed Pensions Plans – This is money that your employer will contribute to you over a period of time durring your service to them.  This money is locked into an account, gains interest and is paid out to you when you retire over a period of time.
* Shared Contribution Plans – This is where you will contribute a certain portion of your earnings to your retirement pland and your employer will match your contributions.  It too is paid out to you over time when you retire.
* Registered Retirement Savings Plan – A legal trust registered with the Canada Revenue Agency and used to save for retirement. RRSP contributions are tax deductible and taxes are deferred until the money is withdrawn. An RRSP can contain stocks, bonds, mutual funds, GICs, contracts and even mortgage-backed equity.  
  RRSPs have two main tax advantages:  
  1. Contributors deduct contributions against their income. For example, if a contributor’s tax rate is 40%, every $100 he or she invests in an RRSP will save that person $40 in taxes, up to his or her contribution limit.  
  2. The growth of RRSP investments is tax sheltered. Unlike with non-RRSP investments, returns are exempt from any capital-gains tax, dividend tax or income tax. This means that investments under RRSPs compound at a pretax rate.
* [Canada Pension Plan (CPP) retirement pension](https://mrleblanc.wordpress.com/eng/services/pensions/cpp/retirement/index.shtml) A monthly benefit for contributors to the CPP who can take their full pension at age 65, an enhanced pension after age 65 or a permanently reduced pension as early as age 60.
* [Canada Pension Plan (CPP) Post-Retirement Benefit](https://mrleblanc.wordpress.com/eng/services/pensions/cpp/prb/index.shtml) A monthly benefit that further increases the retirement income of CPP contributors who work while receiving a CPP retirement pension.
* [Old Age Security (OAS) pension](https://mrleblanc.wordpress.com/eng/services/pensions/oas/index.shtml)  A monthly benefit for people who have lived in Canada for more than 10 years after age 18 and are aged 65 and over.
* [Guaranteed Income Supplement (GIS)](https://mrleblanc.wordpress.com/eng/services/pensions/oas/gis/index.shtml)  A non-taxable benefit for low-income Canadians aged 65 and over who receive the OAS pension.
* [Allowance](https://mrleblanc.wordpress.com/eng/services/pensions/oas/allowance.shtml) A non-taxable benefit for low-income individuals aged 60 to 64. To qualify, you must be the spouse or common-law partner of an OAS pensioner who is entitled to receive the GIS benefit. See the changes to the OAS age of eligibility.

General Rules About Retirement Plans:

* Federal income tax is not immediately due on money put into a retirement account or on the interest it makes.
* Income tax is paid when the interest is withdrawn.
* Penalty charges apply if money is withdrawn before retirement age.
* Income after retirement is usually lower, so tax rate is lower as well

Individuals must be well able to prepare for retirement as their income could quite possibly be reduced significantly in their retirement years, some by 50% or more.  It use to be law that you had to stop working by age 65, but recently the Federal Government overturned that rule allowing individuals to work regardless of how old they are.  Individuals must be suitable for work at all times.

Their continues to be a growing concern with people being able to retire recently.

After you read the article write a reflection on how this makes you feel currently?  Do you feel like it will be impossible for you to retire later on?  What specific parts of the article alarm you?  What are you going to do at an early age to avoid this from happening?

Retirement Planning –

Using the calculator (<https://tools.td.com/retirement-calculator/>) find out how much you need to save in order to retire when you want!

Saving for Retirement in Your 20s: <https://youtu.be/rObTRJfzvEI>